



Italy: Mobile Marketing Industry

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- Summary

Italy ranks 4th in Western Europe for mobile ad spending. As the use of smartphones begins to surpass the use of traditional computers, companies are searching for fully integrated marketing solutions in order to reach consumers at the mobile level. These mobile marketing solutions represent a strategic opportunity for sellers to promote their brand, generate leads, and ultimately increase sales. The Italian market is currently in the growth stage with many first movers emerging. In 2011, Italy saw significant growth with a 50% increase in the mobile advertising market, namely from spending on advertising in the mobile channel.

Mobile Marketing provides the ability to target advertising at consumers based on context, interests, and location. This form of marketing gives control to both the marketer and the consumer as many forms of these technologies are chosen by the consumer and can be highly personalized by the marketer in order to give the consumer in question the right exposure to achieve a positive response. For our purpose, Mobile Marketing includes, but is not limited to: mobile advertising, proximity marketing, QR codes, mobile couponing, and mobile gifting.

Trade Promotion Opportunity:

The U.S. Commercial Service in Milan is coordinating the launch of a **Platinum Key Service for U.S. Mobile Technologies SMEs**. The program offers U.S. companies unique exposure and access to many of the most important mobile network operators in 14 European countries and Israel. Our Platinum Key Service is an additional tool and rare opportunity to guarantee that American products/services are seen by decision makers within the most important mobile network operators in Europe (See "Trade Promotion Opportunities" section for more details).

- Mobile Advertising

Mobile advertising is a response-driven channel involving a high level of engagement between consumers and marketers. Consumers are increasingly using mobile devices to multitask (while they watch TV, while making purchases at the store, in the workplace or at school). This makes the mobile marketing channel very personal since there are fewer boundaries, and reaching the consumer in an unprecedented way. In 2011, mobile advertising grew by 50% bringing the market value to 56 million euro in Italy, about 5% of the total digital advertising market (E-business Consulting). As the market grows, the overall goal is to integrate traditional marketing campaigns with mobile ones, and eventually become an end-to-end solution intertwining e-commerce with mobile technologies.

As an umbrella category to all Mobile Marketing, mobile advertising includes keyword advertising, mobile applications, and the more common SMS text messages (which grew 21% globally in 2011 in the marketing form). Generally speaking, companies wishing to utilize mobile marketing already have a presence on the Internet through a website, ads, or social media. The successful marketer must replicate and integrate the success of its Internet marketing on mobile devices.

- Proximity Marketing

A promising prospect for Mobile Payment in Italy is Proximity Marketing, which functions as a deal-of-the-day service while customizing the offers based on the location of the mobile device. This kind of localized marketing would work well in Italy for small and medium-sized merchants who already customize their goods/services on some level to appeal to a regional audience. It has been proven that location-targeted ads generate considerably higher return than conventional mobile advertising, therefore greatly enhancing the relevance of mobile advertising.

Italian companies such as ProxiMa are already offering a hardware/software platform that sends multimedia messages to mobile users via Bluetooth within the range of a broadcasting unit. One of their Italian clients, Coin, a major Italian apparel chain, utilizes this form of proximity marketing in their flagship store in Milan to attract potential consumers at their store front with coupons and offers. Mercedes-Benz has used ProxiMa to distribute free digital gadgets at the Rimini car show. With 24 million smartphone owners in Italy, and most of these devices being Bluetooth and GPS enabled, there is great potential for proximity marketing solutions.

- QR-Codes

Between 2010 and 2011, scanning capabilities in smartphones increased almost tenfold globally. The use of 2D QR codes provides a way to reach consumers in the most interactive way possible, augmenting brand awareness and customer loyalty. Besides the immediate benefits, the use of QR codes can provide valuable marketing information that can be easily measured by marketers due to the trail of information scanning leaves behind. For example, marketers can track how long someone stays in a store, what they look at, if they share the product they scan with others, etc. From a publisher's point of view, QR codes provide a way to connect readers from the printed page to advertisers' web sites and a way to track interest in printed ads. And lastly, the increased integration of location-sensitivity creates a hybrid form of QR codes and proximity marketing.

The Italian company Quarkcode conducted a study that reported a 1400% increase of traffic in the scanning of QR codes in Italy between March 2009 and December 2010. They estimate that 20% of these smartphone users have downloaded a barcode reading application on their device. They also rank Italy as having one of the highest levels of scanning activity in Europe.

- Mobile Couponing

The Italian mobile couponing market increased 15 fold in 2011 to reach a total market value of 250 million euro. Mobile Couponing can potentially save thrifty consumers money by carrying all their coupons around electronically without the need to actively search for them in newspapers or online. The simple and obvious way to implement Mobile Couponing is for the retailer to make the same print coupons available on their mobile website for in-store use. To make the coupon more effective in driving future sales, retailers can also personalize mobile coupons based on location and past purchasing behavior to make the offer more appealing to the individual consumer's needs. The use of social media can be added to further circulate coupons, adding yet another channel in which the consumer can access the discount on their mobile device. By integrating print coupons, mobile coupons, and promotional codes for online shopping, companies can maximize their effectiveness in reaching the consumer.

Vodafone Italia has recently teamed up with mobile commerce site Glamoo to launch the first local mobile couponing service for Vodafone customers. The free service allows registered users to receive exclusive offers and coupons via SMS or MMS in over 100 Italian cities. These kinds of partnerships will effectively help market mobile couponing in Italy. Groupon estimated having about 7.2 million Italian users at the end of 2011. There is a growing demand for mobile couponing in Italy and its broad local coverage will translate into an opportunity for Italian SMEs looking for new channels for sales and promotion.

- Mobile Gifting

By developing mobile software applications that can carry a euro amount wirelessly, recipients can receive their gift right on their phone and spend the money where they wish or at locations predetermined by the giver. Merchants can connect their loyalty programs with mobile payment in order to collect valuable marketing data about consumer purchases while helping the consumer earn points and rewards for patronizing the same stores (it also means less cards for the consumer to carry).

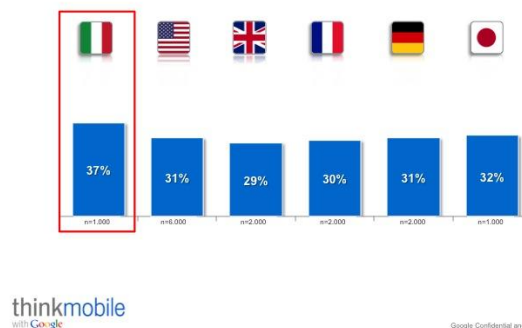
Gifting site Wrapp is one of the first to offer a social gifting service in Italy. Wrapp markets to merchants the promise of increased sales by allowing consumers to give their Facebook friends free gift cards provided by top national, multinational and regional retailers (Broadcast Newsroom). In addition to the euro amount the retailer is gifting for free, the service then allows the consumer's Facebook friends to contribute further money to the gift which can then be redeemed via smartphone while in the store. Participating merchants report that the average purchase generated by Wrapp is at least four to six times the value of the free gift card the retailer provides. Wrapp reports that Italian merchants understand the difference between Wrapp's unique customer-acquisition platform that leverages friend-to-friend marketing, and other mobile gifting services.

- Market Demand

Italy is the second largest mobile communications market in Western Europe and one of the most advanced. Mobile phone diffusion in Italy is among the highest in the world, with 91 million active SIM cards with multiple-SIM ownership and over 46.5 million users, three quarters of the total Italian population. Italy is also one of the top countries in Europe for the number of smartphone owners, who total 24 million and who are estimated to become 30 million by the end of 2012.

According to Google's publication Think Mobile, Italians are one of the most accepting consumer groups of mobile advertising with 37% of users surveyed providing positive feedback.

User acceptance towards Mobile Advertising



Studies show that mobile users do not possess an innate dislike of mobile ads, but object when they are too abundant and with little personal relevance. This suggests that marketers should not immediately exhaust the channel's effectiveness. "One of the major reasons why European advertisers are having so much success is because a higher premium is placed on targeting. In the United States advertisers have a *flood the market mentality*" (Daily Deal Media). The novelty of the mobile ads in Western European nations could be a reason for better ad performance than in the United States. American consumers have already expressed both cynicism and indifference toward mobile ads, while mobile device owners in Germany, Italy and the UK tend to be more engaged by mobile ads across devices (eMarketer).

Thanks to the increasing number of mobile surfers who utilize the latest generation smartphones and tablets and take advantage of mobile surfing flat tariffs, studies also show that tablet and smartphone owners in Italy are more likely to make a purchase online via PC after viewing an ad on their tablet or smartphone.

Impact of Mobile Ads by Smartphone Owners	US	Italy
I made a purchase on the Internet via PC	20%	27%
I made a purchase at a store for goods or services that I saw advertised on my connected device	6%	18%
I made a purchase directly through my connected device based on an ad I saw	4%	12%
I searched for more information about a business that I saw advertised on my connected device	11%	27%
I clicked on an ad to view the full advertisement or product offering	11%	24%
I used or requested a coupon through an ad I saw on my connected device	7%	10%

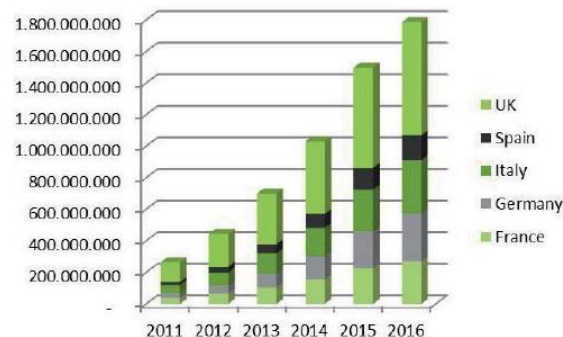
Source: Nielsen (Q3 2011)

nielsen

According to this Nielsen study, 27% of Italian consumers made a purchase on the Internet via PC after seeing a mobile ad, 27% search for more information about a business seen advertised, and 24% clicked on an ad to view the full advertisement or product offering. The conclusion of the study is that mobile advertising does influence Italian consumers' decisions, leading to both purchases online and offline.

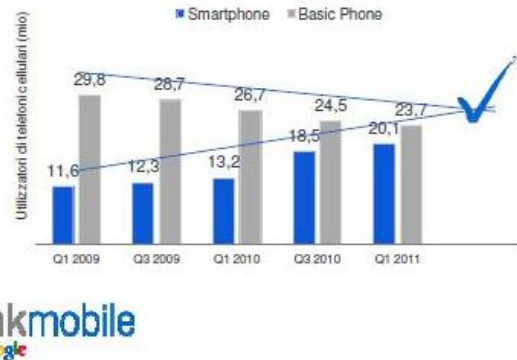
- Market Data

Big 5 mobile advertising forecasts (US\$)



Italy ranks 4th in Western Europe for mobile ad spending. The mobile advertising market in Italy is expected to grow steadily in the next 5 years, anticipating a market value of approximately \$250 million by 2016 (Adsmobi). The rise in mobile users' acceptance of mobile advertising will have a positive impact on average revenue per user, allowing marketers to effectively measure the value of a mobile marketing campaign and gauge potential profit.

According to Google's Thinkmobile study, smartphone and tablet use has surpassed desktop/notebook use in Italy as they play more of an active role in the life of Italians. On the mobile front, smartphones have also surpassed the use of basic cellular phones in Italy. This means that smartphones are the technology of choice for daily use by Italian consumers. This market trend further suggests that marketers should shift their focus from traditional Internet marketing to a more integrated mobile marketing platform.



72% of Italian smartphone users are aware of mobile advertisements on their phone (39% from search engine use, 24% from a site featuring a video, 21% shopping website, and 20% from a mobile application).

- Best Prospects

Marketers need to identify comprehensive services and solutions that offer real-time data insights into mobile consumers. The key drivers of Mobile Marketing are the growing diffusion of smartphones in the population, the increase in location technologies in mobile devices, and an increase in consumer acceptance to the channel.

Niche markets in Italy include local advertising and local merchants. This suggests that proximity marketing might be the most promising prospect bringing consumers and merchants within the same communities together. Localized marketing works well in Italy for small and medium-sized merchants who already customize their goods/services on some level to appeal to regional customers.

A need also exists to help companies develop their mobile strategy. This includes consulting, creating an optimized website, and mobile focused advertising campaigns. Most businesses don't have a mobile optimized site that is designed and formatted to be read and navigated easily on the small screens of mobile devices. When an advertising message viewed on a mobile device is optimized for that device, there is a boost in click through rate (Nielsen). Within this strategy, marketers should make sure they have a coordinated message and experience across any platform their customers may use.

The upcoming 2012 Summer Olympics in London will be a catalyst for driving total mobile advertising revenues in European countries. Events such as this could act as great opportunity to demonstrate the effectiveness of mobile marketing campaigns, and act as a launch point for companies wishing to utilize mobile marketing at the international level.

Another best prospect is cross-branding of Mobile Marketing and Mobile Payment services as they are mutually beneficial. Mobile Payment and Proximity Marketing go hand-in-hand as they are both up-and-coming trends in mobile communications. In the future, merchants who offer Mobile Payment can further promote their product/service through proximity marketing, even offering further perks for consumers who are attracted to the store because of a mobile marketing message and then pay with mobile payment.

- Key Suppliers

In the coming years, this sector is likely to become crowded as small and/or more specialized firms compete to earn advertising revenue from big clients looking to jump on board this trend. In Italy, the market is fragmented with no dominant players. There are many small Mobile Marketing firms such as Digitouch, a digital marketing solutions company that designs marketing programs to examine which type

of mobile marketing is best suited to reach consumers, the most effective means to achieve your marketing goal, and how to measure the effectiveness of mobile marketing. With an office in both Italy and the United States, the company 01tribe creates digital media convergence strategies with big clients such as Alitalia and Il Sole 24 Ore. In 2011, the Italian banking group Intesa Sanpaolo invested 50% of the capital required to fund Pantea, a company specializing in software development for mobile advertising, multiplatform sites, targeting and filtering, and monitoring and reporting of campaigns.

- Prospective Buyers

Italian companies are not as engaged as consumers in mobile marketing, and are hesitant to include it in their overall marketing strategy. These issues, if addressed, can become selling points for U.S. companies wishing to sell mobile marketing solutions in Italy. Since Mobile Marketing can suit different marketing budgets and short to long-term goals, prospective buyers include large companies and major brands, as well as small-medium Italian merchants. Currently, companies in Italy spend about \$10,000-\$15,000 per mobile campaign (Lardinois). All and all, the European mobile advertising market is expected to reach \$1.03 billion by 2014.

- Market Entry

The market is in the early growth stage with many dispersed first movers. Since there is no *one size fits all* strategy to Mobile Marketing in Italy, competition is expected to remain among small and/or specialized firms, even as revenue rises. U.S. companies wishing to enter the market must differentiate their offerings from competitors. As global drivers of high-tech and innovation, U.S. companies are well-positioned to enter the Italian market in the Mobile Marketing arena.

- Market Issues & Obstacles

The smartphone market is large and diverse, making it difficult to target the right consumers. Creating personalized marketing solutions will be a main challenge for marketers wishing to utilize mobile marketing. Marketers need to invest in their relationship with customers, delivering precise messages that directly correlate to their preferences and needs. As these solutions are integrated into the overall marketing operations of a company, consistency across various platforms will be vital in increasing ad effectiveness and minimizing the potential for redundant or inaccurate messaging.

Other concerns include transparency and privacy as mobile users worry about maintaining control over what ads they will see in the mobile marketing process. Some consumers are also worried about the safety of their personal data, spam, and wireless security when utilizing a mobile marketing platform. The challenge will be to develop precautions and effectively communicate privacy safety as a priority to both companies purchasing mobile marketing services and to the end mobile user. Simple opt-in/opt-out mechanisms, which give the consumer the power to choose when and with whom they want to share personal data with during the mobile marketing experience, will undoubtedly play a key role.

A lack of benchmarking makes it difficult to measure progress and the percentage of total marketing efforts over sales. With its various forms, the way Mobile Marketing campaigns are launched and tracked is not consistent across vendors, making it difficult for marketers to compare results when reporting.

- Trade Promotion Opportunities:

-- Platinum Key Service for U.S. Mobile Technologies SMEs: The U.S. Commercial Service offers your company unique exposure and access to 23 of the most important mobile network operators in 14 European countries and Israel. Commercial Specialists have developed relationships with Strategy Directors, Innovation Directors, and Technology Managers in who are in charge of scouting new U.S. products and technologies. These mobile operators have agreed to receive and review standardized proposals for new and innovative U.S. mobile products and technologies via our CS offices in these countries. All participating U.S. clients will benefit from additional, targeted marketing efforts to these and

potentially more mobile operators – and other potential buyers prior to the next Mobile World Congress, February 25-28, 2013 in Barcelona.

For information on the Platinum Key Service:

http://export.gov/industry/infocomm/eg_main_050720.asp

Or contact:

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-- Mobile World Congress 2013:

February 25-28, 2013, Barcelona, Spain

The U.S. Commercial Service will support U.S. exhibitors at the show through a range of free and fee-based services (market research, matchmaking and more). Mobile World Congress is an international showcase of mobile technologies featuring over 1,500 exhibitors and attracting more than 67,000 visitors. Industry leaders gather to address key developments in the mobile market. Promotional opportunities include showcasing cutting-edge products and services to top industry leaders, maximizing ROI by marketing to highly targeted audience(s), driving revenue and expanding the sales pipeline by meeting with new and existing clients.

For more information please visit: <http://www.mobileworldcongress.com/2013-preview.html>

- Resources & Contacts

Assinform- (Italian ICT companies Association)

http://www.assinform.it/english_version/_profilo_eng.htm

Confindustria Digitale- (organization representing ICT industries in Italy)

<http://www.confindustriadigitale.it/>

ASSTEL- (trade organization representing Telecom operators as part of Confindustria)

<http://www.asstel.it/>

IAB Italy- (Associazione dedicata all'advertising interattivo)

<http://www.iab.it/>

Netcomm - Italian E-Commerce Consortium

<http://www.consorzionetcomm.it/>

- For More Information

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<http://export.gov/italy>

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